

PASTURES REVOLVING FUND

FINANCIAL STATEMENTS

For the Year Ended March 31, 2013

PROVINCIAL AUDITOR
of Saskatchewan

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of the Pastures Revolving Fund, which comprise the statement of financial position as March 31, 2013, and the statement of operations and accumulated operating surplus, and statement of changes in accumulated net recovery (expenditure) for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Pastures Revolving Fund as at March 31, 2013, and the results of its operations, changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Bonnie Lysyk, MBA, CA
Provincial Auditor

Regina, Saskatchewan
July 23, 2013

Statement 1

**PASTURES REVOLVING FUND
STATEMENT OF FINANCIAL POSITION
As at March 31**

	<u>2013</u>	<u>2012</u>
Financial Assets		
Accounts receivable	<u>\$ 388,973</u>	<u>\$ 295,707</u>
Liabilities		
Accounts payable	<u>1,702,622</u>	<u>379,872</u>
Unearned revenue	<u>927,217</u>	<u>884,765</u>
Accumulated net expenditure (Statement 3)	<u>1,726,381</u>	<u>2,641,232</u>
	<u>4,356,220</u>	<u>3,905,869</u>
Net Debt	<u>(3,967,247)</u>	<u>(3,610,162)</u>
Non-Financial Assets		
Inventory	<u>257,278</u>	<u>211,778</u>
Tangible capital assets (Note 5)	<u>4,532,506</u>	<u>4,306,206</u>
	<u>4,789,784</u>	<u>4,517,984</u>
Accumulated Operating Surplus (Statement 2)	<u>\$ 822,537</u>	<u>\$ 907,822</u>

(See accompanying notes to the financial statements)

PASTURES REVOLVING FUND
STATEMENT OF OPERATIONS AND ACCUMULATED OPERATING SURPLUS
For the Year Ended March 31

	Budget 2013	Actual 2013	Actual 2012
REVENUES			
Grazing	\$ 6,943,160	\$ 6,977,853	\$ 5,911,225
Petroleum and gas leases	2,046,495	2,041,631	2,035,289
Bull wintering	112,180	133,960	117,700
Timber sales	1,000	-	(242)
House rent	29,920	27,816	26,370
Seismic and easement	55,288	120,269	99,573
Hay Sales	-	5,286	(375)
Gain on disposal of tangible capital assets	-	38,103	37,034
Other	13,000	23,818	121,563
	<u>9,201,043</u>	<u>9,368,736</u>	<u>8,348,137</u>
EXPENSES			
Salaries	3,721,910	3,699,466	3,559,627
Repairs and improvements	1,550,571	1,034,360	1,563,606
Taxes	896,336	862,490	815,020
Seed and forage	225,311	195,915	190,133
Rent of equipment, horses and other	287,360	265,454	269,918
Amortization	521,739	508,925	474,749
Travel	376,091	398,006	390,627
Small tools, equipment and supplies	521,879	500,767	551,203
Computer services	180,000	130,118	130,186
Utilities	137,150	154,985	167,880
Veterinary fees and supplies	72,750	79,045	68,191
Telephone and communications	81,455	68,298	69,971
Bad debt expense	-	(26,554)	20,822
Freight and postage	18,000	20,986	11,522
Advertising and printing	5,200	4,542	5,007
Other	60,131	49,396	60,072
	<u>8,655,883</u>	<u>7,946,199</u>	<u>8,348,534</u>
Net income (loss)	<u>\$ 545,160</u>	<u>1,422,537</u>	<u>(397)</u>
Accumulated operating surplus, beginning of year		907,822	908,219
Transfer to General Revenue Fund (Note 4)	-	(1,507,822)	-
Accumulated operating surplus, end of year - to Statement 1	<u>\$ 822,537</u>	<u>\$ 907,822</u>	

(See accompanying notes to the financial statements)

Statement 3

PASTURES REVOLVING FUND
STATEMENT OF CHANGES IN ACCUMULATED NET RECOVERY (EXPENDITURE)
For the Year Ended March 31

	<u>2013</u>	<u>2012</u>
Financing (required for) provided by operating activities:		
Net income (loss)	\$ 1,422,537	\$ (397)
Items not affecting cash:		
Amortization	508,925	474,749
Bad debt expense	-	20,822
(Gain) on disposal of tangible capital assets	(38,103)	(37,034)
Net increase (decrease) in working capital items related to operations (Note 9)	<u>1,226,436</u>	<u>(175,186)</u>
	<u>3,119,795</u>	<u>282,954</u>
Financing (required for) provided by investing activities:		
Purchase of tangible capital assets	(752,542)	(760,804)
Proceeds from sale of tangible capital assets	<u>55,420</u>	<u>48,827</u>
	<u>(697,122)</u>	<u>(711,977)</u>
Net (increase) decrease in financing requirements	2,422,673	(429,023)
Accumulated net expenditure, beginning of year	(2,641,232)	(2,212,209)
Transfer to General Revenue Fund (Note 4)	<u>(1,507,822)</u>	<u>-</u>
Accumulated net expenditure, end of year – to Statement 1	<u>\$ (1,726,381)</u>	<u>\$ (2,641,232)</u>

(See accompanying notes to the financial statements)

**PASTURES REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2013**

1. Authority and Definition

The Pastures Revolving Fund is continued under *The Pastures Act*. The Revolving Fund provides for the establishment, operation, management and maintenance of pastures, programs and services related to pasture and livestock management, and programs related to developing, protecting and promoting the environmental, social, and economic use of pastures.

2. Significant Accounting Policies

Pursuant to standards established by the Public Sector Accounting Board, the Revolving Fund is classified as an other government organization. These financial statements are prepared in accordance with Canadian public sector accounting standards. These financial statements do not present a Statement of Change in Net Debt or a Statement of Cash Flows because this information is readily apparent from the Statement of Changes in Accumulated Net Recovery (Expenditure) and Note 9.

The following policies are considered significant.

a) Net Financing Requirements

The net financing requirement is the cash flow from (to) the General Revenue Fund. It represents the total annual financing requirements resulting from net capital acquisitions, working capital changes, and net cash flows from operations.

b) Accumulated Net Recovery (Expenditure)

Expenditures of the Revolving Fund are made directly out of the General Revenue Fund (GRF) and receipts are deposited directly into the GRF. The excess of the accumulated expenditures over accumulated receipts is the accumulated net expenditure balance or outstanding borrowing from the GRF.

The accumulated net recovery (expenditure) of the Revolving Fund includes the aggregate of net financing requirements for all fiscal years resulting from the Revolving Fund's net capital acquisitions, changes in working capital and net cash flow from operations.

c) Inventories Held for Consumption

Inventory is valued at the lower of cost and net realizable value. Inventory consists of repair parts, livestock feed, minerals and fencing supplies.

d) Tangible Capital Assets

Tangible capital assets are recorded at cost net of accumulated amortization. The cost and related accumulated amortization of items retired or disposed of are removed from the records and any gains or losses are included in the statement of operations and

accumulated operating surplus. Amortization of all tangible capital assets is charged to operations using the straight-line method at the following rates:

Land Improvements (fencing, water sites, corrals, etc.)	5%
Buildings	5%
Equipment and Vehicles	10%
Office Equipment	10%

Tangible capital assets that are acquired or disposed of by the Revolving Fund during the year are amortized at 100% of the above rates in the year of acquisition and are not amortized in the year of disposal.

e) Revenue Recognition

Grazing revenue is recognized daily and billed at the end of the season when the animals are removed from the pasture.

Surface lease revenue is recognized on a month start basis and billed in advance for the year.

Timber revenue is recognized when the timber is harvested and its value is determined.

f) Unearned Revenue

Unearned revenue consists of petroleum and gas lease revenue that will be earned in future periods and overpayments from patrons that will be applied to future fees. These amounts are included in income when the revenue is earned.

g) Use of Estimates

These statements are prepared in conformity with Canadian public sector accounting standards. These principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. Differences are reflected in current operations when identified.

h) Tangible Capital Asset Thresholds

The threshold limits for capitalizing tangible capital assets are as follows:

Buildings	\$ 5,000
Vehicles	5,000
Equipment	1,000
Office equipment	1,000
Land improvements	5,000

3. Authorized Financing

Subsection 16 (11) of *The Department of Agriculture, Food and Rural Revitalization Act* provided for a maximum accumulated net expenditure which may at any time be outstanding to be set by Order of the Lieutenant Governor in Council. Order in Council 1859/83 established a maximum accumulated net expenditure of \$10,000,000.

4. Accumulated Operating Surplus

Treasury Board controls the operations of the Revolving Fund, in part by monitoring the amount of its accumulated operating surplus (deficit). If the amount falls above or below the limit specified by Treasury Board, management is responsible to present a plan to address the excess surplus (deficit) for approval by Treasury Board. Plans may include, but are not limited to, payment of excess surpluses to, or requests for additional funding from, the General Revenue Fund. The limit for the Pastures Revolving Fund is \$700,000.

The Revolving Fund paid excess surplus of \$1,507,822 to the General Revenue Fund in 2012-13. At March 31, 2013 the Revolving Fund had an accumulated operating surplus of \$822,537 and management will present a plan to Treasury Board to address the excess surplus of \$122,537.

5. Tangible Capital Assets (TCA)

	March 31, 2013						March 31, 2012	
	Land		Office	Equipment				
	Buildings	Land	Improvements	Equipment & Vehicles		Total		
Opening Net Book Value of TCA	\$367,776	\$19,000	\$2,601,588	\$ -	\$1,317,842	\$4,306,206	\$4,031,944	
Opening Cost	\$653,318	\$19,000	\$4,550,314	\$43,663	\$3,408,042	\$8,674,337	\$7,961,539	
Additions During the Year	81,442	-	446,760	-	224,340	752,542	760,804	
Disposals	-	-	-	-	(120,724)	(120,724)	(48,006)	
Closing Cost	\$734,760	\$19,000	\$4,997,074	\$43,663	\$3,511,658	\$9,306,155	\$8,674,337	
Opening Accumulated Amortization	\$285,542	\$ -	\$1,948,726	\$43,663	\$2,090,200	\$4,368,131	\$3,929,595	
Annual Amortization	35,920	-	212,823	-	260,182	508,925	474,749	
Disposals	-	-	-	-	(103,407)	(103,407)	(36,213)	
Closing Accumulated Amortization	\$321,462	\$ -	\$2,161,549	\$43,663	\$2,246,975	\$4,773,649	\$4,368,131	
Ending Net Book Value of TCA	\$413,298	\$19,000	\$2,835,525	\$ -	\$1,264,683	\$4,532,506	\$4,306,206	

6. Budget

Treasury Board approves the Revolving Fund's budget annually. The budget amounts presented in these financial statements are based on the budget approved by Treasury Board.

7. Related Party Transactions

These financial statements include transactions with related parties. The Revolving Fund is related to all Saskatchewan Crown agencies such as ministries, corporations, agencies, boards and commissions under common control of the Government of Saskatchewan. Also, the Revolving Fund is related to non-Crown enterprises that the Government jointly controls or significantly influences.

Routine operating transactions with related parties are recorded at agreed upon rates and are settled on normal trade terms. The following table summarizes the routine related party transactions for the year:

Financial statement category:	2013	2012
Expenses	\$ 465,240	\$ 294,259
Accounts payable	74,266	60,116

The Revolving Fund has received use of certain office space, use of Crown land and certain administration services from the Ministry of Agriculture without charge. In addition, the Revolving Fund pays Provincial Sales Tax to the Ministry of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of these purchases.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

8. Credit Risk

The Revolving Fund is exposed to credit risk from potential non-payment of accounts receivable. The total of the receivables is \$453,618 at March 31, 2013 with an allowance for doubtful accounts of \$64,645. Some of the receivables were received shortly after year end reducing the credit risk.

9. Net Change in Working Capital Items Related to Operations

Working capital changes:	2013	2012
(Increase) decrease in accounts receivable	\$ (93,266)	\$ (138,083)
(Increase) decrease in inventories held for consumption	(45,500)	(60,716)
Increase (decrease) in accounts payable	1,322,750	(15,534)
Increase (decrease) in unearned revenue	42,452	39,147
Total	\$ 1,226,436	\$ (175,186)

10. Amount Reported in Public Accounts

The accumulated net expenditure of the Revolving Fund reported in the Public Accounts is the accumulated net expenditure of the Revolving Fund adjusted for the following difference.

	2013	2012
Accumulated net expenditure	\$ 1,726,381	\$ 2,641,232
Adjustment to increase accumulated net expenditure in Public Accounts	<u>64,216</u>	-
Accumulated net expenditure reported in Public Accounts	<u><u>\$ 1,790,597</u></u>	<u><u>\$ 2,641,232</u></u>